

PORTFOLIO PRIORITIZATION METHODOLOGY



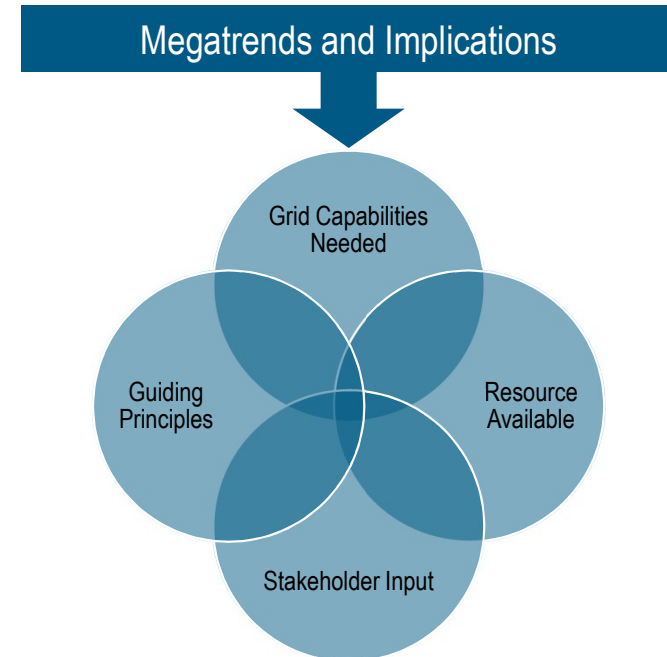
The programs in our portfolio were selected based on alignment with our framework and prioritization criteria.

South Carolina Grid Improvement Plan



Programs are considered based on fit with framework and justification methodology:

- **Protect:** required for compliance
- **Modernize:** technology has rapidly advanced and is now mature
- **Optimize:** program provides attractive benefits



Customer-Focused Programs are selected and funded based on:

- **Grid capabilities** that are needed to address megatrends
- Scope and budgets right-sized to **available resources**
- **Stakeholder input**
- Alignment with **guiding principles**

Cost/Benefit and Cost Effectiveness Evaluation Execution Protocol

A. DEFINITIONS

Cost Benefit Analysis-“Go/No Go” Level: A analysis that compares quantitative and qualitative factors associated with taking a given course of action or not taking it (e.g. should I go to college or not).

Cost Benefit Analysis-“Path Selection” Level: A analysis that compares quantitative and qualitative factors associated with taking a certain path within a given course of action that the Company has decided to do (e.g. now that I have decided to go to college, which one should I go to).

Cost Effectiveness Analysis: A analysis that ensures a selected path, within a given course of action, is executed in a reasonable and prudent manner (e.g. now that I have selected to go to college and now that I have chosen to go to Energy University, how can I do so for the least cost and still obtain the results I desire).

B. STEPS FOR DEPLOYING THE MODEL

(Step 1). Is the “Go/No Go” course of action you are evaluating mandatory (i.e. Compliance) or discretionary?

A course of action is considered mandatory (or Compliance) if:

- i. An external law, rule, or regulation applicable to the company requires it;
- ii. A binding legal obligation such as a contract, agency order, or other legal document compels it; or
- iii. The Operations Counsel has approved the activity as being critical and imperative to the Company’s operations.

If the “Go/No Go” course of action being considered is mandatory, proceed to *Step 3*. If discretionary, proceed to *Step 2*.

(Step 2). Is the “Go/No Go” course of action you are evaluating justified by the “Go/No Go” Cost Benefit Analysis Model below ?

If “yes,” proceed to *Step 3*. If “no,” don’t pursue this course of action.

i. Will This Activity Financially Benefit Customers?

- A. By creating an opportunity to lower customer bills from what they would otherwise be?
- B. By lowering customer energy use and thus, their bills from what they would otherwise be?
- C. By avoiding other costs which would be borne by customers?
- D. By making customers money (e.g. rebates or incentive payments for a given activity)?

If “yes,” go to 2. If no, go to 3.

Cost/Benefit and Cost Effectiveness Evaluation Execution Protocol

2. **Does the estimated net present value of the financial benefit outweigh the estimated cost?**

If "yes," this activity presumptively is justified. If no, go to 3.

3. **Are There Objective or Subjective Qualitative Benefits to the Customer That Nonetheless Justify the Activity?**

A. Objective in that no reasonable customer would not want this?

B. Subjective desire from a customers that can be demonstrated?

If "yes," this activity presumptively is justified. If no, go to 4.

4. **Are There Objective Qualitative or Quantitative Benefits to the Company Only That Nonetheless Justify the Activity?**

A. Would not doing this activity cause material harm to the Company which, in turn, would have a material, and direct negative impact on customers? (e.g. increased cost of debt to the Company, negative credit ratings, material investor flight)

If "yes," this activity presumptively is justified. If no, go to 5.

5. **Are There Objective Qualitative or Quantitative Benefits to Third Parties That Nonetheless Justify the Activity?**

A. Would not doing this activity cause material harm to third parties which, in turn, would have a material, and direct negative impact on customers?

B. Would doing this activity cause material benefit to third parties which, in turn, would have a material, and direct positive impact on customers? (e.g. economic development and expansion)

If "yes," this activity may be justified, but usually calls for a policy decision by policy makers.

(Step 3A). Is the path you have chosen to achieve the "Go/No Go" course of action at issue mandatory (i.e. Compliance Prescriptive)?

If "yes," proceed to Step 4. If "no," proceed to Step 3B.

A path to achieve is considered mandatory (or Compliance Prescriptive) if:

- i. An external law, rule, or regulation applicable to the company requires it;
- ii. A binding legal obligation such as a contract, agency order, or other legal document compels it; or
- iii. The Operations Counsel has approved the path to achieve as being critical and imperative to the Company's operations.

Cost/Benefit and Cost Effectiveness Evaluation Execution Protocol

(Step 3B). Is the path you have chosen to achieve the “Go/No Go” course of action at issue justified by the “Path Selection” Cost Benefit Analysis Model below?

If “yes,” proceed to *Step 4*. If “no,” don’t pursue this path to achieve and find another path to achieve to evaluate.

I. Are There Other Paths to Achieve the Course of Action at Issue?

A. If “no,” conclude this analysis and proceed to *Step 4*.

B. If “yes,” continue this analysis.

II. Is The Chosen Path to Achieve More Favorable Than Other Paths to Achieve On a Risk-Adjusted, Net Present Value Basis?

A. If “yes,” conclude this analysis and proceed to *Step 4*.

B. If “no,” continue this analysis.

III. Do Objective and Provable Qualitative Factors Justify the Use of the Chosen Path to Achieve Notwithstanding Its Net Present Value Results?

A. If “yes,” proceed to *Step 4*.

B. If “no,” do not proceed with the chosen path to achieve and find another path to achieve to evaluate.

(Step 4). Can you prove that the chosen path to achieve the chosen course of action will be executed in a reasonable and prudent fashion given the factors and considerations listed below?

If “yes,” your analysis is complete. If “no,” redesign your plan of execution.

I. Have the external materials and labor needed in your execution plan been competitively bid? If not, do you have objective justification as to why not?

II. Have you optimized resource deployment, logistics, and mobilization/de-mobilization of work?

III. Have pertinent risks been identified and evaluated?

IV. Has your execution plan been objectively reviewed by other business groups or third parties?

V. Have contingencies been evaluated and incorporated into your plan of execution?

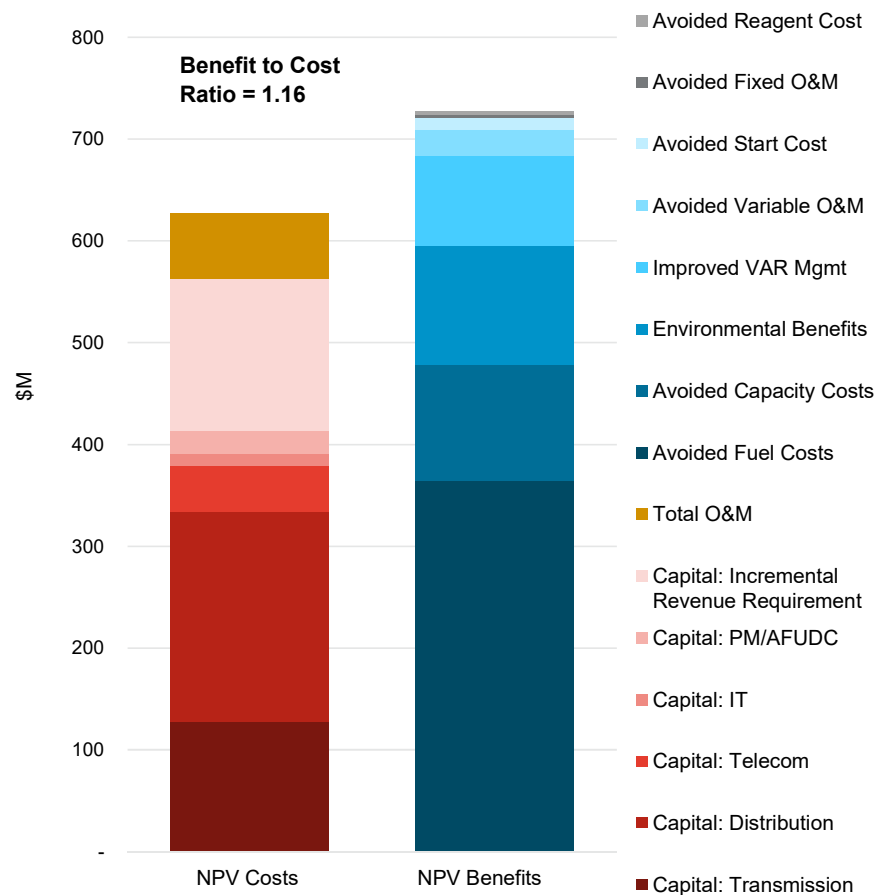
VI. Does your plan of execution have scoping for scheduling, progress checkpoints, and performance measurement metrics in place?



SOUTH CAROLINA GRID IMPROVEMENT PLAN COST BENEFIT ANALYSIS

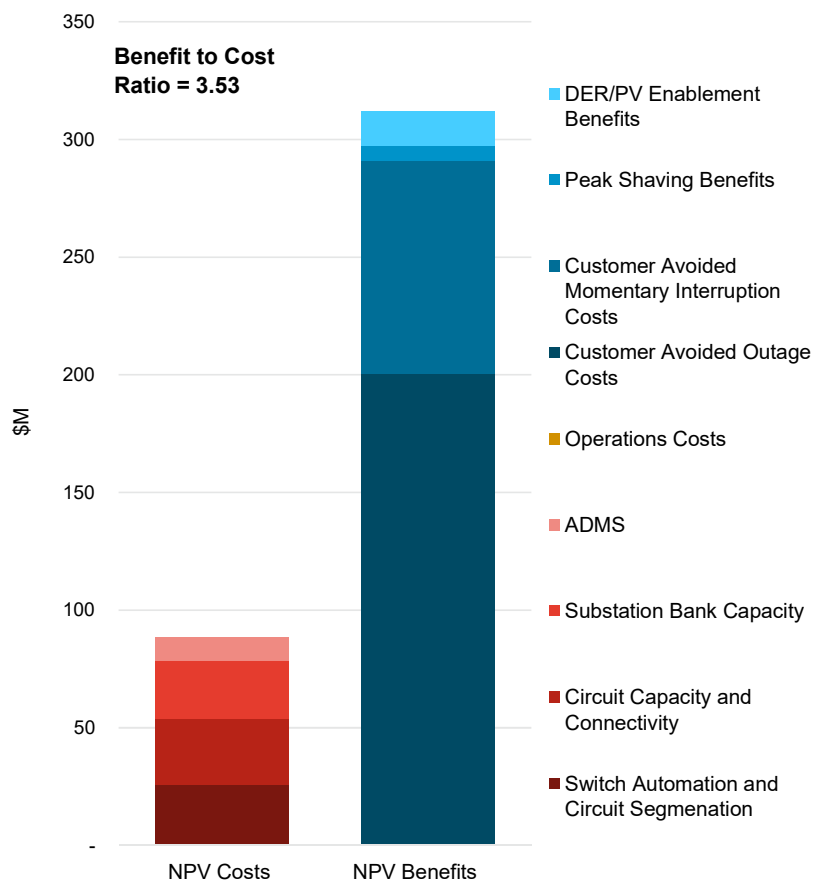
PROGRAM LEVEL

IVVC PROGRAM



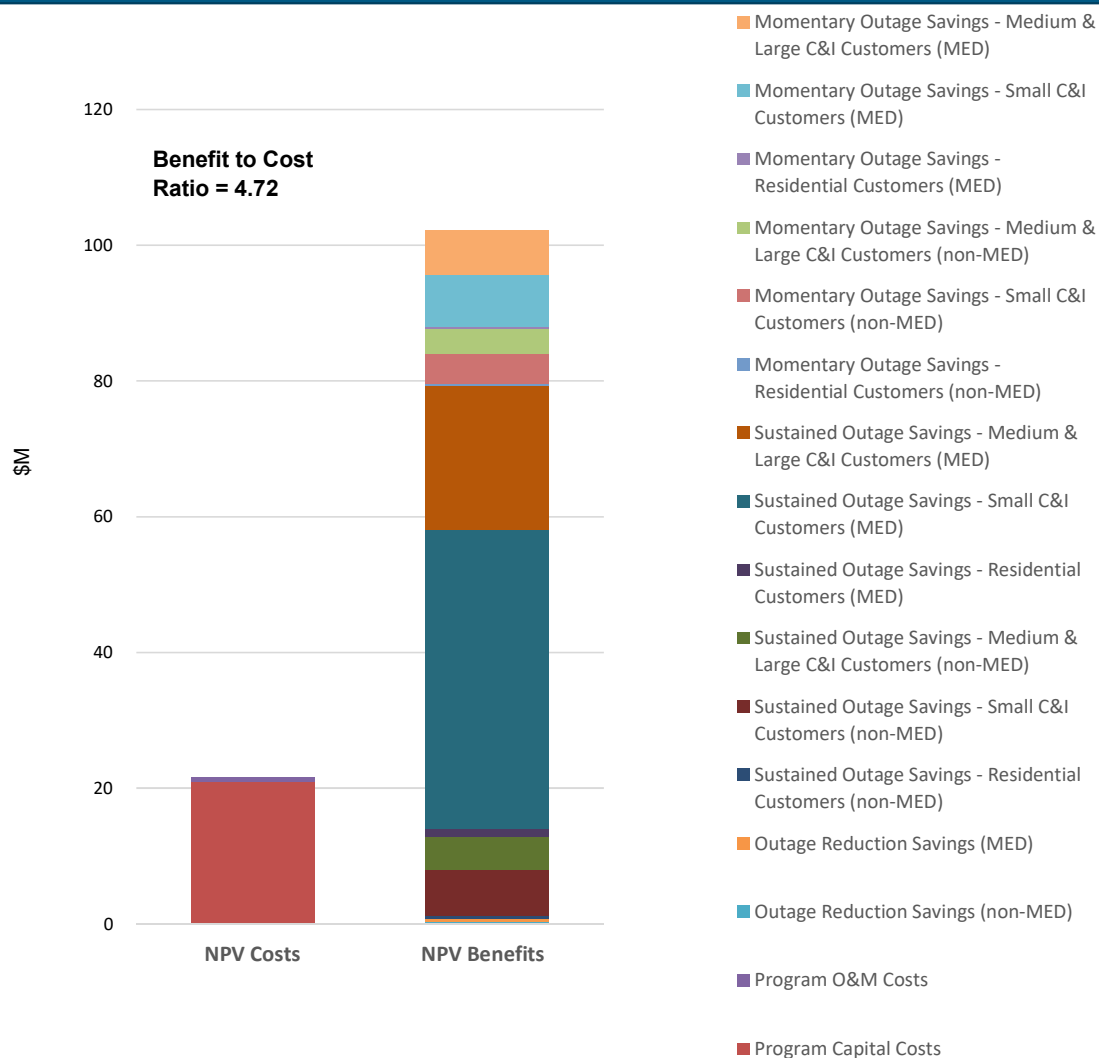
Work scope: 5 years
Evaluation Period: 25 years
Jurisdiction: DEC
State: SC and NC

SELF OPTIMIZING GRID PROGRAM



Work Scope: 3 years
Evaluation Period: 30 years
Jurisdiction: DEC and DEP
State: SC

TRANSFORMER RETROFIT PROGRAM



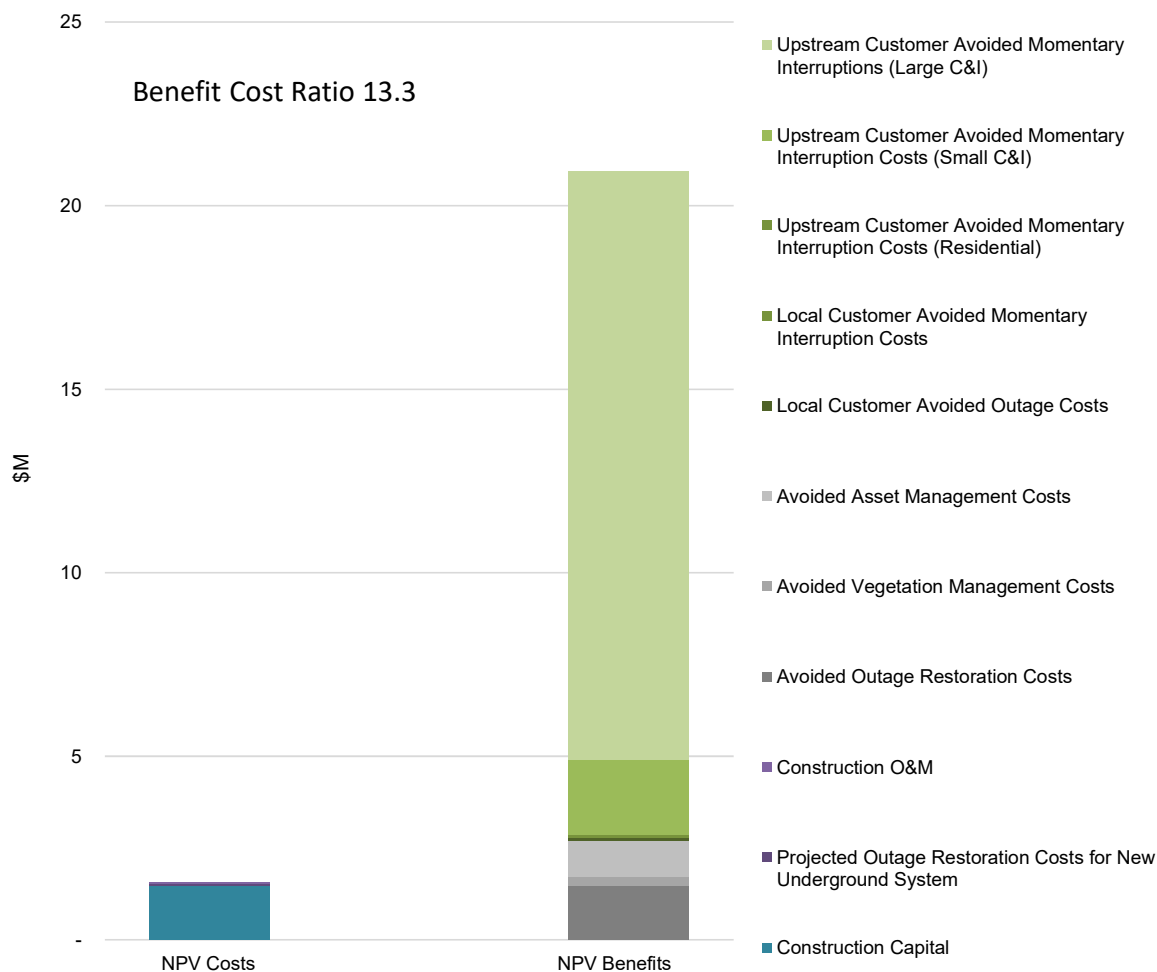
Work Scope: 3 years
Evaluation Period: 30 years
Jurisdiction: DEC and DEP
State: SC



SOUTH CAROLINA GRID IMPROVEMENT PLAN COST BENEFIT ANALYSIS

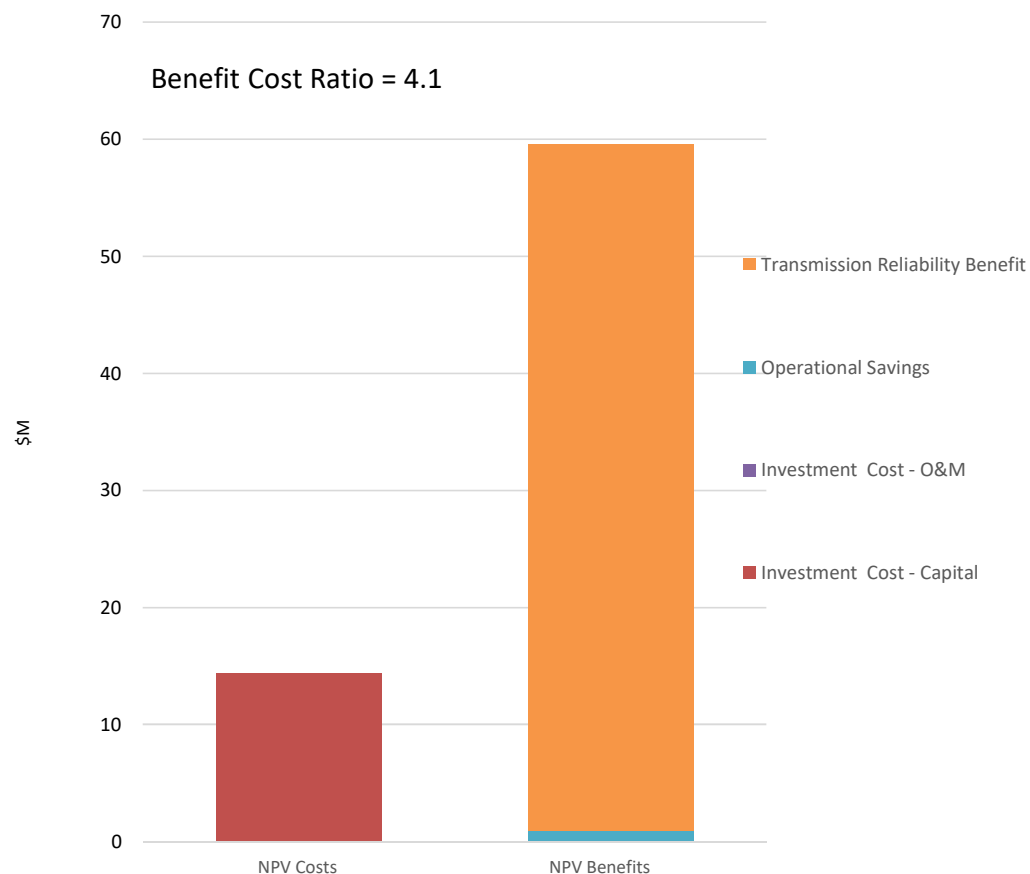
PROJECT LEVEL

TARGETED UNDERGROUNDING – HAMPTON HEIGHTS PROJECT



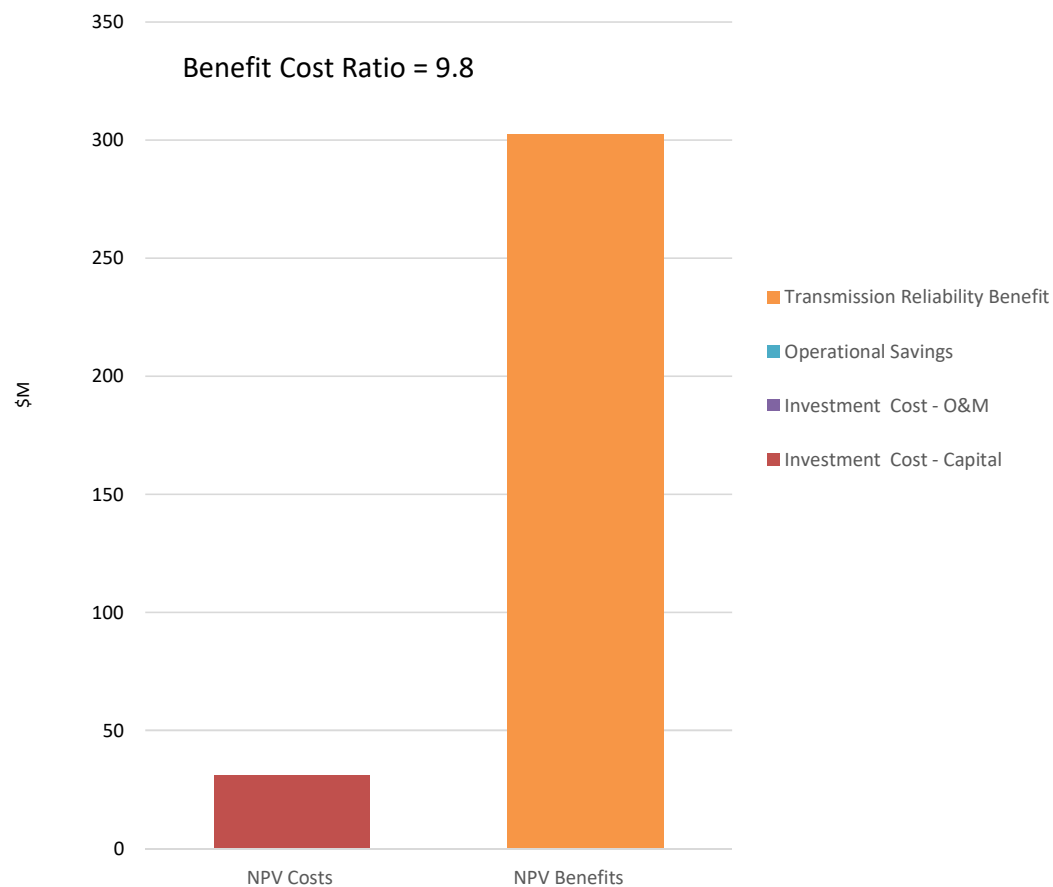
Work Scope: 1 year
Evaluation Period: 30 years
Jurisdiction: DEC
State: SC

TRANSMISSION – CAMP CREEK CHEROKEE CONNECTOR PROJECT



Work Scope: 5 Years
Evaluation Period: 30 years
Jurisdiction: DEC and DEP
State: NC and SC

TRANSMISSION – HENDERSONVILLE MAIN TIE 44KV PROJECT



Work Scope: 3 Years
Evaluation Period: 30 years
Jurisdiction: DEC and DEP
State: NC and SC